

HOUSE BILL REPORT

ESCR 8407

As Passed House:

April 24, 2005

Brief Description: Establishing a joint task force on state contracts performed, in whole or in part, outside the United States.

Sponsors: By Senators Shin, Berkey, Kastama, Doumit, Rockefeller, Keiser, Esser, Kohl-Welles, Jacobsen, Kline and Rasmussen.

Brief History:

Floor Activity:

Passed House: 4/24/05, Adopted.

Brief Summary of Engrossed Bill

- Creates a joint task force to conduct a study of state contracts performed outside the United States.
- Creates an advisory committee to advise and monitor the joint task force.
- Requires the joint task force to report its findings and recommendations to the Legislature by January 1, 2006.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority/Minority Report: None.

Staff: Jill Reinmuth (786-7134).

Background:

"Offshore outsourcing" is a term sometimes used to describe the practice of contracting with individuals or companies in foreign countries to perform certain work. Both public and private entities may enter into such contracts.

According to the National Conference of State Legislatures, legislation prohibiting or otherwise restricting state agencies from entering into such contracts has been introduced in Washington and 31 other states.

Laws governing state procurement that give preference to domestic goods or prohibit purchasing foreign goods have been challenged on one or more grounds. These include arguments that such laws are: (1) invalid exercises of state power under the Foreign

Commerce Clause and/or the Foreign Affairs Power; (2) preempted by federal law; or (3) in violation of international agreements on government procurement.

Summary of Bill:

A joint task force is created to conduct a study of state contracts performed outside the United States. The eight-member joint task force consists of two legislators from each caucus of the Senate and the House of Representatives.

An advisory committee is created to advise and monitor the joint task force. The eight-member advisory committee consists of three representatives of labor, three representatives of business (including one representative of small business), one representative of the Office of the Washington State Trade Representative, and one representative of the public.

The study must evaluate the following issues:

- the extent to which the performance of state contracts in other countries results in the creation or loss of jobs;
- the degree to which the performance of contracts outside the United States helps Washington's economy and its companies remain competitive globally;
- the extent to which state agency contracts being performed in other countries creates a need for adjustment assistance and retraining programs to ensure that Washington's business climate, its employers, and its workers remain competitive globally;
- the degree to which state contracts and subcontracts are being performed at locations outside the United States;
- the extent to which state contracts performed at locations outside the United States involve personal information, as well as a review of laws regarding the privacy of personal information;
- subject to available funding, the economic costs and benefit of awarding state contracts and subcontracts to Washington companies;
- the applicability of international trade agreements and federal law to state procurement policies;
- the extent to which legislative authority over state procurement is adequately protected; and
- the reasons Washington businesses choose to locate operations outside the United States.

The joint task force must report its findings and recommendations to the Legislature by January 1, 2006.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: (As presented for HCR 4405) People are trying to find out what is going on in the economy. This task force will help measure the impacts of offshore outsourcing. It will also be an opportunity to bring interested parties together to find common ground.

Offshore outsourcing has harmed high tech workers. High tech workers in the U.S. are competing with workers overseas for jobs. In every metropolitan area with a high tech economy, there are fewer high tech jobs today than there were three years ago. For every Microsoft millionaire, there are dozens of us in the industry who are not.

It has also harmed construction workers. Pre-fabricated materials are being imported from countries where wages are low and workplace safety is not a concern. Recently, about 20,000 tons of pre-fabricated steel decks were imported for construction of the Tacoma Narrows Bridge. Consequently, workers lost \$10 million in potential wages, and the economy lost \$21.5 million of potential activity.

It has caused us to lose engineering knowledge, experience, and technical innovation. There are times when offshored work must be redone, overtime is necessary, and safety is compromised. There are also times when, despite offshoring certain work, foreign countries purchase planes from Airbus.

Testimony Against: (As presented for HCR 4405) None.

Persons Testifying: (In support of HCR 4405) Marcus Courtney and Dan Gillespie, Washington Alliance of Technology Workers; Dave Johnson, Washington State Building & Construction Trades Council; Kristin Farr, Cynthia Cole, David Baine, Stan Sorscher, and Steffan Gillyard, Society of Professional Engineering Employees in Aerospace.

Persons Signed In To Testify But Not Testifying: (With concerns about HCR 4405) Kevin Underwood, AllianceOne.